

BOARD OF ALDERMEN

ITEM NO. D(5)

AGENDA ITEM ABSTRACT MEETING DATE: January 18, 2005

TITLE: Request for Board Input on Request for Proposal for Auditing Services

DEPARTMENT: Management Services	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A: Resolution Providing Staff Direction on Auditing Services B: Draft RFP for Audit Services	FOR INFORMATION CONTACT: Bing Roenigk, Assistant Town Manager Judy Weller, Accounting Officer

PURPOSE:

The Management Services Department has prepared a request-for-proposal (RFP) for auditing services. This RFP was requested by the Board several years ago and staff committed to pursuing this RFP following implementation of the GASB34 audit for the year ended June 30, 2004, which was completed and presented to the Board on January 11th. Prior to submitting this proposal to auditing firms, staff requests input from the Board regarding the auditing services RFP.

INFORMATION:

The Local Government Commission (LGC), recommends that governments typically request proposals for audit services every 3 to 5 years. They do note however, that this does not mean that an auditor change is required every 3 to 5 years, only that a unit should evaluate potential auditors. *If the Board is satisfied with the current auditor relationship, staff can forgo the RFP process and negotiate a new three-year contract with Dixon-Hughes, PLLC with Board approval.*

The Local Government Commission, in its Policies Manual, also states that an effective procedure for selecting an auditor is for a local government to prepare a request for proposal (RFP) and send it to prospective auditing firms. The RFP should require a summary of the experience of the auditing firm and a description of how it would conduct and provide staffing for the audit.

Town staff prepared the attached RFP drawing from several examples, including the sample format provided by LGC. Per LGC, an acceptable RFP addresses the following:

1. The scope of the audit.
2. The RFP should designate the funds, and component units to be included in the audit. The RFP also should indicate clearly whether the audit scope is to be the basic financial statements, the combining non-major fund statements, and the schedules or only the basic financial statements. (Note: the amount of federal and State financial aid spent and the grant agreements themselves may very well set the minimum requirements of what should be audited. A unit may choose to broaden the scope of the audit, but the unit may not contractually reduce the amount the amount of audit work below the minimum required by federal and State guidelines and professional judgment.)
3. The auditing standards to be used.
4. The type and extent of assistance to be provided to the auditor. The RFP should specify what types and amounts of services the government is ready to provide the auditor, both clerical and professional. If the government plans to offer the direct assistance of members of its internal audit staff, the nature and extent of this assistance should be

clearly defined.

5. The reports that will be required, as well as related distribution and timing.

6. The need to retain working papers for an adequate period and the right to have working papers reviewed by appropriate third parties.

FISCAL IMPACT:

The cost of the audit services will be known upon completion of the bid process. Staff anticipates presenting a contract for Board approval on March 1, 2005.

STAFF RECOMMENDATION:

The Board is requested to approve a resolution that provides staff with direction to either 1.) Pursue the audit RFP with revisions as suggested by the Board; or 2.) Authorize the Town Manager to negotiate and execute a three-year contract with Dixon Hughes PLLC.